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UNCLAS SECTION 01 OF 03 KATHMANDU 001353

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STATE FOR SA/INS AND DS/IP/NEA
STATE ALSO PLEASE PASS USAID/DCHA/OFDA
STATE ALSO PLEASE PASS PEACE CORPS HQ
USAID FOR ANE/AA GORDON WEST AND JIM BEVER
MANILA FOR USAID/DCHA/OFDA
LONDON FOR POL/GURNEY
TREASURY FOR GENERAL COUNSEL/DAUFHAUSER AND DAS JZARATE
TREASURY ALSO FOR OFAC/RNEWCOMB AND TASK FORCE ON TERRORIST
FINANCING
JUSTICE FOR OFFICE OF THE DEPUTY ATTORNEY GENERAL/DLAUFMAN
NSC FOR MILLARD
SECDEF FOR OSD/ISA LILIENFELD

E.O. 12958: N/A

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SUBJECT: UPDATE ON NEPAL'S MAOIST INSURGENCY, JULY 12-18

SUMMARY

1. The deadlock over peace talks between the Government of Nepal (GON) and the Maoists remains unresolved. The GON has increased security in many districts throughout Nepal following reports of increased Maoist activities. The local press reported on July 14 that Maoists are importing weapons from points along the Nepal-India border. The GON, yielding to Maoist demands once again, released the three remaining Maoist Central Committee Members from prison on July 12. On July 17 a team of security forces reportedly arrested fourteen Maoists who were armed and carrying explosives. Bharat Dhungana, head of the Maoists' office in Kathmandu, alleged that he was handcuffed and held for five hours by security forces on July 17. Maoist disregard for the code of conduct continued, with the brazen abduction of two unarmed Royal Nepal Army (RNA) soldiers on July 9. The insurgents reportedly also killed a district committee member of the Communist Party of Nepal-United Marxist Leninist (CPN-UML), and abducted five other civilians, including two youths and a police constable. End Summary.

THIRD ROUND OF TALKS REMAINS ELUSIVE

2. The future of peace negotiations remains uncertain as Maoist leaders still have not responded to the formal letter from the GON inviting them to a third round of talks. Initial reports suggested that the Maoists would issue a response on July 17, but to date there has been no reply. Kamal Thapa, Minister for Communication and Information and government negotiating team member, reportedly sent a formal letter to Baburam Bhattarai, head of the Maoist negotiating team, on July 13. Krishna Bahadur Mahara, Maoist spokesman, claimed on July 14 that he had no knowledge of the letter. However, the local press reported on July 17 that Maoist team members were meeting in the mid-western district of Bardiya to discuss the letter. Security forces reportedly are suspicious of the apparent "closed-door" session and have speculated that a high command meeting was actually being held with Prachanda, Maoist chairman, and Bhattarai present as well. Maoist cadres in the region have denied any knowledge of the whereabouts of the top two leaders. (Note: Bhattarai continues to remain absent from the public spotlight, and speculation remains that he is in India. End Note).

3. As the fragility of the peace process becomes more evident, concern over impending violence grows. An article published on July 17 by a pro-monarchy weekly English language newspaper quotes a Maoist source as saying that the Maoists used the ceasefire to "reorganize their party," and are now equipped with "a good stock of arms." The source further claims that not only are Maoist leaders using India as a safehaven, but are also receiving intelligence information from India's external intelligence agency, the Research and Analysis Wing (RAW).

SECURITY STEPPED UP

4. The local press reported on July 15 that the GON is stepping up security due to what an army official called "suspicious activities" by Maoist cadres. The unnamed source alleged that the insurgents have dramatically increased their movements, acquired more arms, and stepped up extortion demands. The newspaper also quoted the army official as saying that the Maoist leaders have gone underground, and there was no way to "ensure that they will return to the talks table." Armed Police Force (APF) personnel reportedly have resumed nighttime security patrols, and increased security checks along routes

frequented by Maoists.

15. Amid speculation over the disappearance of Baburam Bhattarai, the GON has increased security in many of the mid-western districts, and imposed a curfew in the mid-western district of Dang, a Maoist stronghold and scene of a deadly attack on an army base in 2002. The decision comes after reports that Bhattarai allegedly used an ambulance in Dang to facilitate the transport of arms and ammunition to Maoists in that region.

16. A curfew imposed by security personnel in the western district of Syangja will continue to be enforced despite objections from residents. District officials said the curfew is necessary in light of continued security threats.

MAOISTS TRANSPORTING ARMS

17. The local press reported on July 14 that Maoists in the far western district of Kailali are importing weapons from points along the Nepal-India border. According to security forces, the insurgents are working with the People's War Group (PWG) and the Maoist Communist Center (MCC), Indian extremist groups. Papers linking the insurgents to the Indian Maoist groups reportedly were confiscated along with weapons and ammunition.

18. Maoists in Kavre, a district east of Kathmandu, reportedly have declared the region as a base. According to July 11 press reports, Maoist cadres have sealed the borders of the district and do not allow new people to enter. Maoist cadres reportedly claim that they are preparing to fight a "people's war" against "imperialistic forces."

MAOIST CENTRAL COMMITTEE MEMBERS RELEASED

19. In yet another concession to Maoist demands, the GON released the three remaining Maoist Central Committee Members from prison on July 12. Maoists had demanded the release of all five of their Central Committee Members as a precondition of peace talks, but previously only two had been released. The move is an apparent effort to entice the Maoists to return to the negotiating table for a third round of talks.

10. On July 17 Bharat Dhungana, the Secretary of the Maoists' office in Kathmandu, alleged that he was handcuffed, blindfolded and held for five hours by security forces. Dhungana claims that five people in civilian clothes questioned him on the whereabouts of senior Maoist leaders, on their plans regarding participation in a third round of talks, and extortion demands by the insurgents. Dhungana said his "arrest" would hinder the return of Maoist leaders to the capital as they would be unsure of their own security. On that same day, a team of security forces reportedly arrested fourteen armed Maoists, including four women, in Dolakha District while on routine patrol. Security forces confiscated explosives from the insurgents and militia uniforms.

11. On July 15 fourteen Maoist cadres were released from detention in Panchthar District.

MAOISTS ABDUCT RNA SOLDIERS; VIOLATIONS CONTINUE TO RISE

12. Two unarmed RNA soldiers reportedly were abducted by Maoists on July 9 in Makwanpur District. The Defense Ministry condemned the Maoists' action as "inhuman irresponsible behavior," and has demanded the immediate release of the soldiers.

13. A group of Maoists reportedly killed a district committee member of the Communist Party of Nepal-United Marxist Leninist (CPN-UML) on July 15 in Butwal District. The activist was returning home when the insurgents allegedly stabbed him to death.

14. Maoists reportedly abducted two youths on July 12 in Makwanpur District. The youths were tied up and taken to an undisclosed location. On July 13 the registrar of the District Soil Conservation Office in Gulmi District was abducted by insurgents. On that same day in Jajarkot District, Maoists abducted a police constable and a Village Development Committee (VDC) secretary. Both men remain missing.

15. Two powerful pipe bombs were found on the ground floor of a court in Siraha District on July 15. The bombs are similar to those normally planted by Maoist insurgents during the insurgency, although no one has claimed responsibility.

16. Citizenship certificates distributed during RNA health camps, which Krishna Bahadur Mahara, Maoist spokesman, publicly condemned on July 14 as a ploy to disrupt talks, have been confiscated by Maoists in Banke District. The insurgents, who have attempted to disrupt the health camps numerous times in the past, confiscated the cards after the RNA team departed.

MALINOWSKI